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To steer or to row: Contemplating the role of privatization

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At the "Rethinking State Government" conference held at the University of Maine in January 1993, a panel explored the issue of privatization -- of using private enterprise to provide public sector services. In introducing the panelists, Patricia Collins, chair of the University of Maine System Board of Trustees, noted that privatization has been proposed to address societal needs that can no longer be met by traditional methods. With too many demands and too little money, and with the prevailing view of government as inefficient and unresponsive, the State of Maine asked the Special Commission on Governmental Restructuring to consider new solutions and present recommendations to the 115th Legislature. Among the ideas proposed was that of privatization.

According to Collins, advocates of privatization quote E.S. Savass, chair of the Department of Management of City University of New York, who said, "the word government is from a Greek word which means to steer. The job of government is to steer, not to row the boat. Delivering services is rowing, and government is not very good at rowing." Or they quote Mario Cuomo: "It is not government's obligation to provide services, but to see that they are provided." Opponents caution that there is much to be lost by privatization, that there are risks of inequities and poor service. Indeed, they stress that some government services should never be contracted out. The following statements by the four panelists in this discussion reflect this same wide range of perspectives.

The private sector's comparative advantage

by Tom Sawyer, Owner, Sawyer Environmental Services and former mayor of Bangor

From my perspective, as a private environmental services contractor, the current debate is not over increasing privatization, but rather over decreasing private responsibility, which I refer to as "publicization." I am very troubled by the public decision to increase public involvement and control in waste management and recycling. In this area, I sense a strong anti-business bias at both the state and municipal level.

We acknowledge the need for greater efficiency, accountability, and performance in government. But, when I think of those institutions that offer efficiency, accountability, and a high level of customer satisfaction, I think of UPS, Federal Express, and Disney World. I have never visited Disney World when every one of those little figurines wasn't working just as it is supposed to, or when a cigarette butt lay on the ground for more than a few moments before someone came along to clean it up. I have even said tongue-in-cheek that the federal government ought to hire the Disney organization to run this country for a couple of years in order to instill notions of efficiency and accountability in customer service.

In addition to being more likely to provide efficiency, accountability, and performance, the private sector offers a sort of "two-for-one" benefit through the payment of taxes. We pay back some of that money that the public sector pays us for performing a service. For example, last

year the Maine Waste Management Agency gave the City of Bangor \$100,000 to buy a recycling collection vehicle, which Bangor dutifully put to work collecting recyclables. However, the problem is that the state certainly will not see any direct economic return on that investment. Had the private sector been allowed to bid on that very same opportunity, and to receive that same \$100,000 to buy a garbage truck, we would have paid that money back in under four years. We would have paid six percent sales tax when we bought the truck, an annual excise tax at the local town office, a fuel tax every afternoon when we filled that truck up, and an income tax on a quarterly basis. My figures show that we would have paid \$26,000 a year back to government at the state and municipal levels. That is quite a return on investment! And, had the truck gone into private hands, it would have been available for use in more municipalities.

Government providers enjoy an unfair competitive advantage in situations where private and public sectors offer the same services. For example, during the third quarter of 1992, Sawyer Environmental Services paid \$100,000 in fees to the Maine Waste Management Agency, yet we compete with the City of Augusta, which pays no equivalent fees. Augusta's Hatch Hill Landfill enjoys about a \$17 per ton advantage over private operators because of differences in taxes and fees. In a further irony, part of the \$100,000 that Sawyer Environmental Services paid the Maine Waste Management Agency in the third quarter of 1992 could be returned to the City of Bangor for purchase of a paper baler. Bangor's paper baler will compete against Sawyer's baler. It is simply inappropriate for Sawyer Environmental Services to fund its competitors.

Instead of the current state policy to build local capacity to handle recyclables, I would like to suggest an alternative approach. With \$10 million in funds from the latest bond issue, and \$2 million in fees from private companies, the state is slated to spend about \$12 million to buy recycling equipment for towns. Maine is collecting and baling a large quantity of recyclables, with few good markets available to which to sell them. That \$12 million should go to create end users. Maine should call Corning Glass and ask, "With one million dollars to use toward employee training or whatever, could you be induced to build a Maine-sized glass recycling plant that would recycle glass collected by Mainers?" A second phone call might go to Dow Chemical: "Would one million dollars induce you to build in Maine a small plastics recycling plant, to recycle Maine's plastics?" A third, similar phone call could perhaps go to Reynolds Aluminum. Under this scenario, Maine might create a market for the recyclables that Maine's communities have collected. But the course Maine has taken does exactly the opposite.

These examples from decisions to move waste management activities from the private sector to the public sector make clear that the issues are not simply about who should perform specific tasks. Rather, there are fundamental differences in how public and private agencies approach problems. We need to use the capability of the private sector to find innovative solutions to our public-sector problems

Tom Sawyer is president and chief executive officer of Sawyer Environmental Services. He serves on several boards and committees. He served two terms on the Bangor City Council and was council chair in 1989-90.

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